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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
FILED
MAR 25 2004
Michael N. Milby, Clerk of Court

UNITED STATES OF AMERICA § CRIMINAL NO. H-04- 126
§
v. § Count 1: 18 USC §§371 and
§ 1956(h) - Conspiracy;
§ Counts 2 - 6: 18 USC §1341
§ Mail Fraud
JOHN ANTHONY CLARO § Counts 7 - 37: 18 USC §1957
JACK H. M. FERGUSON § Monetary Transactions
MILTON DOKE WILKINSON § with Criminally Derived
GARY I. HOSKIE § Property
JAMES ARTHUR GLIDEWELL § Counts 38 - 54: 18 USC §1956
BRIAN SCOTT GLIDEWELL § Money Laundering
MICHAEL ARTHUR REEVE §
EUAN DAVID MCNICOLL §

INDICTMENT

THE GRAND JURY CHARGES THAT:

COUNT ONE

18 U.S.C. §§ 371 and 1956(h) - Conspiracy

INTRODUCTION

At all times material to this indictment:

A. The Defendants

1. Jack H.M. **Ferguson** ("Jack Ferguson") was the president and majority owner of American Heartland Health Administrators ("AHHA"), which was incorporated in Oklahoma in 1996, and operated in Houston, Texas as an unlicensed Third Party Administrator ("TPA") purporting to provide fiduciary and administrative services to employers doing business throughout the United States, who also provided employee health care benefit plans to their employees

TRUE COPY I CERTIFY
ATTEST:
MICHAEL N. MILBY, Clerk
By _____
Deputy Clerk

(AHHA'S Program"). In March 2002, as a result of the deteriorating reputation of AHHA, **Ferguson** formed a new corporation, called it Southern Plan Administrators ("SPA", also sometimes referred to as "AHHA" or, collectively with AHHA as "AHHA/SPA"), and continued to operate as an unlicensed TPA.

2. Milton Doke **Wilkinson** ("Milt Wilkinson") operated in Houston, Texas as a TPA known as AAC, administering employee health care benefit programs, beginning in or before the early 1990s. **Wilkinson** began working in the marketing department at AHHA in 2000. **Wilkinson** was the Director of National Marketing and was responsible for providing information on AHHA's Program to clients, including employers and Professional Employee Organizations ("PEOs"), (collectively, "Employers"), and, in 2001, also became a "consultant" for North American Indemnity, an entity engaged in the business of insurance and not licensed in any state.

3. John Anthony **Claro** ("John Claro") was an attorney in Oklahoma City, Oklahoma, who helped create, incorporate or locate entities to provide insurance to Employers who were clients of AHHA/SPA. All of these entities were insurance companies registered or incorporated off-shore and none of them were licensed to engage in the business of insurance in the United States. **Claro** communicated directly with insurance companies, insurance agents, brokers, intermediaries, state and foreign regulatory authorities, as well as with Employers, about the AHHA Program.

4. Gary I. **Hoskie** ("Gary Hoskie") operated in Florida under the name of Professional Consultants and Managers, Inc. ("PCM"). In February 2003, **Hoskie** set up another company, Professional Insurance Consultants, Inc. ("PIC") also in Florida. **Hoskie** received the Employers' insurance premiums from AHHA/SPA and purportedly provided the insurance premiums, deducting his "fee" of approximately 10%, to the "off-shore" insurance companies, including,

MarkeTrends, Centennial, and Cosmos, none of which were authorized to engage in the business of insurance in any state.

5. James Arthur **Glidewell** ("**Jim Glidewell**") , operated in Memphis, Tennessee as Client Development Services ("CDS"), incorporated in Tennessee in 1992, doing business since 1996 as Mid South Benefit Group ("MSBG"). **Jim Glidewell**, a licensed insurance agent, sold or marketed and/or participated in the sale or marketing of the AHHA Program to Employers from 1997 through 2003 and was paid a commission, or a percentage, from the funds received from Employers. CDS dba MSBG became AHHA's marketing division, marketing the AHHA Program to other insurance agents and employee benefit plans. On April 1, 2002, **Jim Glidewell**, through CDS, purchased 10% interest in Southern Plan Administrators and became a member of SPAs Board of Directors.

6. Brian **Scott Glidewell** ("Scott Glidewell") is the son of **Jim Glidewell** and also operates under the name of MSBG. In 2002, **Scott Glidewell** became a 48% owner of CDS. **Scott Glidewell**, a licensed insurance agent, sold or marketed and/or participated in the sale or marketing of the AHHA Program to Employers from 1997 through 2003. **Scott Glidewell** along with **Jim Glidewell** also marketed the AHHA program to other insurance agents who were paid a commission from the premiums collected from Employers.

7. Michael Arthur **Reeve** ("Mike Reeve"). a citizen of the United Kingdom, was a majority owner of St. John Management Services, Ltd., operating in London, England. **Reeve** collected insurance premiums, and deducted a commission for himself of approximately 10%, on behalf of "off-shore" entities, including MarkeTrends, Centennial (CIC) and Cosmos, none of which were authorized to engage in the business of insurance in the United States.

8. Euan David **McNicoll** ("Euan McNicoll"), a citizen of the United Kingdom, was a partial owner of First Fidelity and North American Indemnity.

McNicol acted as an intermediary for First Fidelity, Merrion, and United Fidelity, and took a commission from the premiums collected. None of these “off-shore” insurance companies were authorized to engage in the business of insurance in the United States.

B. Regulation of the Insurance Industry in the United States

9. An insurance company which provides insurance services to individuals or entities (other than entities in the business of insurance) must comply with various regulations (“State Regulations”) under the laws of each of the states in which the insurance company does business. State Regulations require insurance companies to maintain the prescribed capital and surplus, obtain a certificate of authority from the insurance department of all states in which the insurance company does business, establish premium rates subject to approval by the state insurance department, issue policies in the form approved by the state insurance department, pay commissions and premium taxes required by the state insurance laws, hold and deposit reserves established by the state insurance department, make investments permitted under the law, and comply with all filing and examination requirements of the insurance department. State Regulations include state-mandated benefits, premium taxes to fund state guaranty funds to protect against insolvency of insurers, licensing, financial audits of the insurers, capital (assets) requirements in case claims exceed premiums collected, and state reviews of insurance contracts.

C. Employee Health care Benefit Plans

10. Employers who choose to provide health care benefits to their employees may do so in one of two ways. They may choose to provide a “self-insured” health care plan or a “fully-insured” health care plan.

11. In a “self-insured” health care plan, the employees (“Participants”) and the Employer contribute funds (“Contributions”) into a health care benefit fund and

the Employer holds the total amount contributed as “Plan Assets”. The Employer, or a third party designated by the Employer (“Third Party Administrator” or “TPA”), will then adjudicate and pay to the providers, such as doctors, pharmacies and dentists, (“Health Care Providers”) all proper claims (“Health Care Claims”) submitted by providers who provide health care services, benefits or items to the Participants. The Employer who chooses to provide a “self insured”, sometimes called “self funded”, health care plan to his employees assumes 100% of the risk that the Health Care Claims may exceed the Plan Assets held by the Employer. This means that if the Health Care Claims do exceed the Plan Assets held by the Employer, the Employer must pay the excess Health Care Claims from his own funds. The self-insured health care plan is exempt from regulation by the States, because, by definition, no insurance company is involved in a “self-insured” health care plan.

12. The Employer who chooses to provide a “self-insured” or “self-funded” health care plan to his employees, may also choose to obtain insurance to cover his own risk that Health Care Claims will exceed the Plan Assets. If the Employer elects to do this, he pays his own funds (“premiums”) to an insurance company in return for the insurance company reimbursing the Employer for certain amounts the Employer must pay in excess of the funds he has available in the Plan Assets for payment of Health Care Claims. This type of insurance service is often called “stop loss” insurance, and attaches, or begins, at a level (“Attachment Point”) specified in the insurance contract between the insurance company and the Employer. Because the insurance company provides this insurance service to an entity (the Employer) that is not itself in the business of insurance, the insurance company is subject to State Regulations.

13. In a “fully-insured” health care plan, the Employer and the employees pay funds into a health care benefit plan and the Employer pays the total amount of

these funds ("premiums") to an insurance company. The insurance company will then adjudicate and pay all proper Health Care Claims submitted by Health Care Providers. The insurance company for a "fully-insured" health care plan assumes 100% of the risk that the Health Care Claims may exceed the premiums paid to the insurance company by the Employer. This means that if the Health Care Claims exceed the premiums paid by the Employer to the insurance company, the insurance company must pay the excess Health Care Claims from its own funds. Because the insurance company provides this insurance service to an entity that is not itself in the business of insurance, the insurance company is subject to State Regulations.

14. The Employee Retirement Income Security Act of 1974, § 514(b)(2)(A), 29 U.S.C.A. § 1144(b)(2)(A) ("ERISA") regulates any type of health care benefit program provided by an Employer for employees. ERISA does not affect or preempt state laws which regulate insurance, that is, state laws that (1) are specifically directed toward entities engaged in insurance and (2) substantially affect the risk pooling arrangement between the insurer and the insured. Therefore, such state laws apply to such entities that provide such risk-pooling arrangements between the entity and the Employer and/or the employee health care benefit program.

THE CONSPIRACY

15. From in or about 1995 and continuing through in or about September 2003, in the Houston Division of the Southern District of Texas, and elsewhere, the defendants,

JOHN CLARO
JACK FERGUSON
MILT WILKINSON
JIM GLIDEWELL

SCOTT GLIDEWELL

GARY HOSKIE

MICHAEL REEVE

and

EUAN McNICOLL

did knowingly combine, conspire, confederate and agree with each other and others known and unknown to the Grand Jury to commit the following offenses against the United States:

- a. To knowingly devise and intend to devise a scheme and artifice to defraud, and for obtaining money by means of false and fraudulent pretenses, representations, and promises, and knowingly to use and cause to be used the United States mails and private and commercial interstate carriers for the purpose of executing the scheme and artifice to defraud, in violation of 18 U.S.C. § 1341;
- b. To knowingly devise and intend to devise a scheme and artifice to defraud, and for obtaining money by means of false and fraudulent pretenses, representations, and promises, and knowingly to transmit and cause to be transmitted by means of wire, radio, or television communication, and writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, in violation of 18 U.S.C. § 1343;
- c. To knowingly conduct and attempt to conduct financial transactions affecting interstate and foreign commerce which involved the proceeds of a specified unlawful activity, with the intent to promote the carrying on of specified unlawful activity, that is, wire fraud and mail fraud, and knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful

activity, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i);

- d. To knowingly engage in and attempt to engage in monetary transactions within the United States in criminally derived property that is of a value greater than \$10,000 and is derived from specified unlawful activity, that is, mail fraud and wire fraud, in violation of United States Code, Section 1957

THE MANNER AND MEANS OF THE CONSPIRACY

It was a part of the conspiracy that:

16. Defendants, and their coconspirators and agents, would and did falsely promise, pretend and represent to victim Employers throughout the United States, and lead them to believe, through internet, in interstate, intrastate and international telephone conversations, by electronic mail ("email"), and in documents faxed and mailed through the United States mail and interstate and international commercial carriers, that AHHA could provide a valuable "fiduciary and administrative" service related to a health care benefit program ("AHHA's Program"), to each victim Employer for a fee. Defendants and their coconspirators targeted small to medium sized companies that did not have the resources or expertise to handle their own claims or premiums.

17. Defendants and their coconspirators told the Employers that AHHA's Program would "act, look and work" just like a fully-insured health care benefit plan, that is, a program in which the insured would pay premiums to an insurance company which would pay, or "fund", all claims, that is, the insurance company would pay "first dollar coverage."

18. Defendants and their coconspirators told the Employers that the Employer would mail a monthly check in the amount of the premiums to AHHA. The Defendants represented to the Employers that AHHA would deduct a

percentage, usually 30%, of the premium funds for its services. The Defendants further represented falsely that AHHA would send, by wire or check, the remaining 70% of the premium funds to an insurance company (the "Insurance Company") selected by AHHA. Defendants and their coconspirators told the Employers that the Insurance Company would pay, or "fund", the claims submitted by the health care providers, usually by releasing funds, or wiring funds, to AHHA, so that AHHA could issue the checks to the health care providers. Defendants and their coconspirators told the Employers that AHHA and the Employers "did not pay claims"; the Insurance Company would pay all claims; AHHA just "issued checks".

19. Defendants and their coconspirators told the Employers that AHHA's services to the Employer included negotiating an insurance policy or contract between the Insurance Company and the health care benefit program on behalf of the Employer, providing underwriting services, that is, determining the amount of the premiums to be paid to the Insurance Company, "adjudicating" all claims submitted by health care providers, that is, determining which claims were properly payable by the Insurance Company, and submitting those claims to the Insurance Company for approval and payment by the Insurance Company from its own funds, which supposedly included 70% of the Employers' premiums.

20. Defendants and their coconspirators induced the Employers to pay premiums that were significantly lower than the premiums required by other insurance companies. Defendants and their coconspirators falsely represented and pretended to the Employers that the premiums were significantly lower because the Insurance Companies AHHA found to pay the Employers' claims did not have to comply with expensive State Regulations, because the Employers' health care benefit programs were "Single Employer Self Funded ERISA Plans", and therefore not subject to state regulations.

21. Defendants and their coconspirators would and did prepare, authorize and disseminate, through the United States mail and commercial carrier services and through interstate and international wire communications, including email, fax and interstate telephone calls, to individuals and entities, including Employers and their agents, in locations throughout the United States, false and fraudulent statements and other information regarding the characterization of the AHHA Program as administering health care benefit programs under which the Insurance Companies did not have to comply with State Regulations, resulting in lower premiums for the Employers, all of which the Defendants knew and intended would be material to the Employers' decisions to participate in the AHHA Program and pay insurance premiums to AHHA.

22. Defendants falsely and fraudulently took elaborate steps to produce the false impression, by concealing or suppressing material facts not equally within the knowledge or reach of the Employers and certain of their insurance agents, that the Insurance Company that provided the "first dollar" health care insurance benefits to Employers in the AHHA Program did not have to be regulated by the states. These steps included characterizing AHHA's Program, that was represented to the Employers as "first dollar" insurance in which the Insurance Company is responsible to pay all of the claims and bears 100% of the risk that the amount of the claims would exceed the amount of the premiums collected, in the language normally used to describe "self-insured" plans, in which the Employer is responsible to pay all of the claims and bears 100% of the risk that the claims would exceed the premiums collected. The Defendants' pretense included characterizing the health care benefit programs in the AHHA Program as "Single Employer Self-Insured ERISA plans", calling the premiums collected "plan assets" or "contributions", calling AHHA a "Third Party Administrator", calling insurance agents who pitched the AHHA Program "plan representatives" or "employer

representatives” who earned a “fee” rather than a commission, calling the insurance services provided by the Insurance Companies “reinsurance”, and calling the insurance policy a “contract,” or “Reinsurance Agreement.”

23. Defendants and their coconspirators formed, owned, brokered, or served as intermediaries for Insurance Companies represented to be the insurers for the Employers. These Insurance Companies were all chartered offshore, that is, outside of the United States, and were not licensed, audited, reviewed for adequacy of capitalization, or authorized to engage in the business of insurance by any state. Yet the Defendants and their coconspirators took elaborate steps to convince the Employers and their agents that the Insurance Companies, would be financially able to cover, or “fund”, the claims presented by the Health Care Providers.

24. Defendants and their coconspirators knew that the unauthorized, unaudited, unlicensed Insurance Companies understood and expected, based on representations made to them by Defendants and their coconspirators, that they would be able to pay all Health Care Claims submitted to them with premium funds received from the Employers and make a profit. The Defendants knew that this expectation was based on false representations and promises made to the Insurance Companies by the Defendants, and that the Insurance Companies were therefore unlikely to pay or fund in a timely manner, if at all, any claims that exceeded the amount of premium funds the Insurance Companies received from the Employers. Yet, as each Insurance Company ultimately failed to fund the claims presented by the Health Care Providers, the Defendants and their coconspirators and agents falsely pretended to be shocked and dismayed, and “found”, created or brokered, yet another unlicensed, unregulated, off-shore Insurance Company and again falsely represented, promised and pretended to the Employers that the new replacement Insurance Company would and could fund the Health Care Claims in a timely manner.

25. Defendants falsely represented and pretended to the Employers that the following Insurance Companies, among others, would and could provide the insurance services AHHA promised to the Employers, on or about the following dates:

- a. November 1995 - November 1996: First Fidelity was incorporated in Belgium and created by Defendant **McNicoll** and another individual in or about November 1995. First Fidelity had \$695,000 in unpaid claims when it was replaced by Merrion Insurance Company, January 1, 1997;
- b. January 1, 1997- 1999: Merrion Reinsurance Company, Ltd. was incorporated in Ireland, with offices in Brussels, Belgium, London, England and Dublin, Ireland, and was brokered by Defendant **McNicoll**. Merrion left approximately \$2,200,000.00 in unpaid claims when it was replaced by United Fidelity;
- c. November 1, 1999- September, 2000: United Fidelity was chartered in the Cook Islands in 1995 and was brokered by Defendants **Hoskie, Reeve and McNicoll**. United Fidelity was a surety bonding company whose unaudited assets were held in a trust account at an offshore bank. United Fidelity was replaced by North American Indemnity in September 2000;
- d. September 2000 - August 2001: North American Indemnity NV (NAI) was a corporation domiciled in Brussels, Belgium, formed by Defendant **McNicoll** and another individual, both residents of Scotland, U.K., on October 27, 2000. NAI's financial statements were provided to AHHA in the Dutch language and the audit by outside auditors KPMG was not provided to AHHA in English until March 2001. Those financials revealed that NAI's primary asset was stock in Marsh Investment Corporation in the Bahamas, and was incapable of valuation by auditors. NAI stopped paying claims by the summer of 2001, leaving approximately \$4,800,000 in unpaid claims, and was replaced by MarkeTrends.

- e. September 1, 2001- October 2002: MarkeTrends was a Republic of Cyprus corporation brokered by **Reeve** and **Hoskie**. MarkeTrends stopped paying claims within the year, leaving approximately \$5,900,000 in unpaid claims, and in approximately November 2002 the Texas Department of Insurance issued an Emergency Cease and Desist Order, No. 02-1128, against MarkeTrends for engaging in, among other things, the unauthorized business of insurance, and was replaced by Centennial Insurance Company, also known as CIC;
- f. October 2002 - January 2003: Centennial was chartered in Aruba, and moved its domicile to Costa Rica in August 2002, and brokered by **Reeve** and **Hoskie**. Centennial stopped paying claims effective January 31, 2003 "due to nonpayment of due premiums", according to a fax from David King, president of Centennial to the Texas Department of Insurance, dated July 4, 2003;
- g. January 17, 2003 - March 13, 2003: Cosmos Insurance Company Ltd. was incorporated in Cyprus. On March 13, 2003, Cosmos informed **Ferguson** and **Reeve** that Cosmos was declaring "null and void" its agreement to "Reinsure[e] in respect of ERISA Health Care Plans as administered by Southern Plan Administrators, Inc. of Houston, Texas U.S.A.", "from the date of inception" stating as reasons, "your failure to comply with the Terms & Conditions of the Reinsurance Slip dated 17 January 2003 and the withholding on your part of vital information from the Texas Department of Insurance pertaining to this business."

26. Defendants and their coconspirators communicated with and caused others, including insurance agents, to communicate with the victim Employers, and with federal, state, and foreign regulatory agencies, through the United States mail and through intrastate, interstate, and international telephone calls and faxes, for the purpose of foreclosing or forestalling the victims' pursuit of legal remedies against the Defendants and their coconspirators, and for the purpose of postponing

inquiries or complaints and lessening the suspect appearance of the fraudulent AHHA Program.

27. Defendants and their coconspirators would and did authorize and cause some of the fraudulently induced premium funds, initially deposited and commingled in a single bank account in Houston, Texas (the "Contributions Account"), to be withdrawn from that account by check and deposited into another account controlled by Ferguson (the "Operating Account"). Checks drawn on the Operating Account were provided to other individuals and entities, including brokers, agents, including insurance agents doing business as LRS, Inc. and Regit, Inc., as well as to Defendants' own administrative employees, among others, as payment for the services of those individuals and entities which promoted and perpetuated the scheme to defraud the Employers' health care benefit programs, and to obtain money, funds and credits from them by means of false pretenses, representations and promises.

28. Defendants and the other coconspirators would and did engage in monetary transactions, often in amounts greater than \$10,000.00, with the proceeds of the fraudulently induced premiums, for purposes related and unrelated to the ongoing scheme to defraud Employers' health care benefit programs, including for the personal benefit of the Defendants.

29. Defendants and their coconspirators would and did induce Employers to pay fraudulently obtained premiums, which were intended by the Employers to insure the payment of the Health Care claims of thousands of workers and their families living and working in the United States, in the total amount of more than Forty-Five Million Dollars (\$45,000,000.00).

OVERT ACTS

30. In furtherance of the conspiracy, and to effect the objects thereof, the Defendants committed the following overt acts, among others, on or about the following dates:

<u>OVERT ACT NO.</u>	<u>DATE</u>	<u>OVERT ACT</u>
1.	September 13, 1996	Jack Ferguson opened American Heartland Health Administrators Contributions Account #1820544334 at Bank One in Houston, Texas.
2.	September 13, 1996	Jack Ferguson opened American Heartland Health Administrators Operating Account #1820544318 at Bank One in Houston, Texas.
3.	April 22, 1997	Euan McNicoll wrote to Merrion, "...loss payments are not funded by AHHA. This was done once as funds were delayed in arriving with AHHA from Belgium; however, these claims are not normally funded by AHHA. Rather, the request for funding is made to the reinsurer(s) and the reinsurer(s) are then liable to pay the claims. Claims are paid via AHHA, as Third Party Administrator. This keeps AHHA well within the requirements of ERISA legislation."
4.	May 6, 1999	Jack Ferguson wrote and sent a letter to an insurance agent referring to agents as "plan representatives" who earned "plan representatives fees."
5.	September 23, 1999	John Claro faxed a letter to the Vice President and General Counsel of TCI

Agency, Inc., Managing General Agency for United Fidelity, a bonding and surety company, offering UF the opportunity to become the reinsurance company for AHHA plans, describing how the plan works and its potential profitability if the insurance carrier "take[s] advantage of the discounts available" from network providers by paying claims in a timely manner.

6. October, 1999

Jack **Ferguson** participated in a meeting with an agent for Regit, Inc., during which the agent agreed to enter into a commission agreement with AHHA on behalf of Regit, Inc. to market AHHA's health care plans, collect premiums, transmit them to AHHA and receive a commission directly from AHHA.

7. January 10, 2001

Jack **Ferguson** wired \$522,989.65, denominated as "Dec. 2000 Reinsurance premiums", from American Heartland Health Administrators' Contributions account #1825044334 at Bank One in Houston, Texas to Montgomery Kent Insurance and Reinsurance Services, LTD. Account #9418109944 at Fleet Bank in New York, NY.

8. January 16, 2001

Jack **Ferguson** caused Employers' premium payments totaling \$131,823.86 to be deposited into the AHHA Contributions account #1820544334, at Bank One in Houston, Texas.

9. January 16, 2001 Jack **Ferguson** wrote check #1387 in the amount of \$89,000.00 drawn on the Bank One, AHHA Contributions account #1820544334, and deposited the check into the Bank One, AHHA Operating account #1820544318.
10. January 19, 2001 Jack **Ferguson** wrote check #3966 in the amount of \$15,247.64, payable to LRS, Inc. The payment was for LRS's December commission for marketing the AHHA Program.
11. January 29, 2001 Jack **Ferguson** wrote check #3984 in the amount of \$24,652.72, payable to Regit, Inc. The payment was for Regit's December commission for marketing the AHHA Program.
12. February 13, 2001 Jack **Ferguson** caused a wire transfer of \$749,474.91, denominated "January Reinsurance Premiums," from American Heartland Health Administrators' Contributions account #1825044334 at Bank One in Houston, Texas, to McSooner, Inc. Account #1717310 at Barclay's Bank in Nassau, Bahamas.
13. March 13, 2001 Jack **Ferguson** caused a wire transfer of \$792,434.35, denominated "February 2001 Reinsurance Premium due", from American Heartland Health Administrators' Contributions account #1825044334 at Bank One in Houston, Texas, to McSooner, Inc. Account #1717310 at Barclay's Bank in Nassau, Bahamas.

14. March 14, 2001 Euan **McNicoll** signed (as "Financial Director" of NAI) the "Consolidated extracts from Management Accounts of North American Indemnity NV 1 September 2000 through 12 March 2001", showing as "Assets" \$10,094,838.00, as "Premiums to Date" \$3,372,332.40, as "Claims paid to date" \$1,710,326.16, and stating, "The above figures have been generated from Management Accounts since 1 September 2000 and will be subsequently confirmed by Auditor to the Company, KPMG Brussels."
15. April 10, 2001 Jack **Ferguson** caused a wired transfer of \$1,020,228.26, denominated the "balance of March Reinsurance premiums", from American Heartland Health Administrators' Contributions account #1825044334 at Bank One in Houston, Texas, to North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
16. April 19, 2001 Jack **Ferguson** faxed a letter to an agent (Agent C) in Sarasota, Florida stating: American Heartland is not licensed in any state but we presently do business in roughly 40 different states including Florida. The reason we are not licensed is because we are only the Contract Administrator for Single-Employer Self-Funded Plans. We do not deal in "insurance" and therefore, are not required to be licensed. . . . The reinsurance carrier who has issued the quote is a

company called North American Indemnity (NAI) out of Brussels. They are a foreign corporation, but we have been associated with the corporate officers for a number of years. They formed NAI specifically to handle American Heartland's business."

17. April 24, 2001 Jack **Ferguson** caused a wire transfer of \$62,898.16, denominated the "first April report", from American Heartland Health Administrators' Contributions account #1825044334 at Bank One in Houston, Texas, to North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
18. May 11, 2001 Jack **Ferguson** caused a wire transfer of \$1,105,310.00 from American Heartland Health Administrators' Contributions account #1825044334 at Bank One in Houston, Texas, to North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
19. May 23, 2001 Jack **Ferguson** caused a wire transfer of \$600,000.00, denominated "First May 2001 reinsurance premium", from American Heartland Health Administrators' Contributions account #1825044334 at Bank One in Houston, Texas, to North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
20. May 31, 2001 Jack **Ferguson** caused a wire transfer of \$600,000.00, denominated "second

- May 2001 reinsurance premium”, from American Heartland Health Administrators’ Contributions account #1825044334 at Bank One in Houston, Texas, to North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
21. June 12, 2001 Jack **Ferguson** caused a wire transfer of \$607,866.21, denominated “the balance of May 2001 reinsurance premium”, from American Heartland Health Administrators’ Contributions account #1825044334 at Bank One in Houston, Texas, to North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
22. October 1, 2001 Euan **McNicoll** faxed and emailed a letter from the United Kingdom to an Employer in Dallas, Texas stating, “We believe that the combination of price and benefits was competitive and was right for your company. You have the right to have your due claims paid, and NAI has the right to premium in line with the risk incurred . . . NAI will pay your due claims.”
23. November 19, 2001 **Jack Ferguson** faxed from AHHA in Houston, Texas, to an insurance agent in South Carolina, information on St. John Management Services Ltd. letterhead about “reinsurance in respect of ERISA Health care Plans as administered by American Heartland Health Administrators” including the following language, “ERISA legislation (Employment Retirement Income Security Act) allows

employers to provide health benefits to their employees with the employer acting as the original insurer. The legislation then allows the employer to reinsure itself with any reinsurer it chooses, including companies outwith [sic] the USA. These employers frequently are small to medium sized companies that do not have the resources or expertise to handle their own claims or premiums.”

24. December 31, 2001 **Jim Glidewell** sent an email from Mid-South Benefits Group in Memphis, Tennessee to an Employer in North Carolina, stating, “Your plan is reinsured from the first dollar to 100% indemnify it against any plan payments for eligible claims. . . a good resource for further counseling is John **Claro**, legal counsel to AHHA . . . Feel free to give him a call. I’m asking Scott to give you a call on Wednesday to answer any further questions.”
25. March 13, 2002 Jack **Ferguson** opened a Southern Plan Administrators, Inc. Contribution Account, number 637618364, at Bank One in Houston, Texas.
26. March 13, 2002 Jack **Ferguson** opened a Southern Plan Administrators, Inc. Operating Account, number 637618356, at Bank One in Houston, Texas.
27. March 16, 2002 Jack **Ferguson** caused a SPA employee to mail a Notification of Exemption Form to the Texas Department of Insurance, representing

that SPA was a "Third Party Administrator (that only conducts self-funded ERISA business.)"

28. May 19, 2002 Mike **Reeve** faxed from the United Kingdom to MarkeTrends in Cyprus the draft letter written by John **Claro** for MarkeTrends to put on its letterhead and send to the State of Colorado in response to its inquiry regarding MarkeTrends "engaging in the business of insurance" in the United States;
29. October 17, 2002 Mike **Reeve** faxed a letter from the United Kingdom to the United States, addressed to Ed Ehler, copied to Gary **Hoskie**, authorizing AHHA to use certain premium funds as follows: "In connection with the September premiums, these should be allocated in the same manner, i.e., the balance after deduction & payment of the 10% commission to Professionals Consultants & Managers is to be used for the payment of agreed claims."
30. November 5, 2002 Jack **Ferguson** opened the Southern Plan Administrators, Inc. Contributions Account - Texas, number 637619065 at Bank One, Houston, Texas.
31. November 11, 2002 Jack **Ferguson** wrote a letter to an insurance agent ("Agent C"), in response to Agent C's inquiry about the effect of the Cease & Desist Order issued by the Texas Department of Insurance ("TDI") against at MarkeTrends and North American

Indemnity, in which Ferguson stated, "The TDI Cease and Desist Order directed at MarkeTrends (MT) and North American Indemnity (NAI) does not affect SPA's abilities to continue to perform our normal administrative functions for our clients. . . . It is SPA's position that TDI has no jurisdiction over the Plan, the Plan Participants, or the Plan's Administrator. It is my understanding that TDI tried a similar situation several years ago and lost, badly. I am not a lawyer, but all things being equal, TDI will probably also lose this. Should you have any further questions please feel free to contact me."

32. December 5, 2002 Jack **Ferguson** told a SPA employee that it was not necessary to provide an Employer's [PITWU] financials to a provider because the Employer's "financials are not an issue, as they aren't paying the claims. Same thing with all our groups."
33. December 6, 2002 John **Claro** faxed and mailed a letter to the Superintendent of Insurance, Ministry of Finance in Nicosia, Cyprus, complaining about MarkeTrends defaulting on its reinsurance contracts with "hundreds of U.S. based Employer Entities", which caused Employers to "contact some of the State Insurance Commissioners' offices in various States, complaining about the non-payment of claims. One "unintended result" of the foregoing was the Texas

Department of Insurance ("TDI") requesting and receiving a "Cease and Desist Order" against MarkeTrends. . . While the Order itself appears somewhat questionable from a legal standpoint, nonetheless the fact that it is presently issued and outstanding does not do any good for MarkeTrends reputation."

34. December 10, 2002 Jack **Ferguson** opened Southern Plan Administrators, Inc. Contribution Account – Centennial, number 637619255 at Bank One in Houston, Texas.
35. December 10, 2002 Jack **Ferguson** signed an Administrative Contract between SPA and Carolina Chiropractic Plus of Ruthorford County
36. December 26, 2002 Jack **Ferguson** signed a letter to Agent B, Tampa, Florida, outlining Agent B's responsibilities as "Plan Representative" for Carolina Chiropractic.
37. March 18, 2003 Jack **Ferguson** sent an email to Agent B (who deducted his commissions from the amount he had collected from Employers before he sent the money on to AHHA) chastising him for using the word "commission" instead of "fee" and reminding him that "They [money due agents] are NOT [commissions] (unless you want to be accused of receiving commissions from an unlicensed insurance carrier)."

38. March 19, 2003 Jim **Glidewell** sent an email to Agent B (who deducted his commissions from the amount he had collected from Employers before he sent the money on to AHHA) stating, "I fear that you may be rendering your client's plans invalid under a DOL audit. You are handling plan assets/funds without being a party to the administrative or reinsurance agreements. Both the administrative agreement and the reinsurance agreements are between the employer sponsoring the plan and the plan vendors. Your interference in the orderly flow of funds per the agreements could cause problems."
39. March 24, 2003 Gary **Hoskie** sent to Texas Department of Insurance ("TDI") a letter "Via Ordinary Mail" in response to TDI's March 10, 2003 faxed request for an immediate response to its inquiry about Professional Consultants & Managers, Inc. ("PCM")'s relationship with SPA, AHHA, MarkeTrends or CIC/Centennial Insurance, Hoskie stating, "Be advised this office performs no duties on behalf of any of the captioned entities in your letter."
40. April 24, 2003 Mike **Reeve** faxed a letter to Jack Ferguson, cc Gary **Hoskie** and David King, President of CIC, stating "PCM Accounts show the following as pd."

In violation of Title 18, United States Code, Sections 371 and 1956 (h).

COUNTS Two through Six

18 U.S.C. §1341 - Mail Fraud

1. The Grand Jury realleges and incorporates by reference, as though set forth in full herein, paragraphs 1 through 14 and 16 through 30 of Count One of this Indictment.

2. Between in or about March 1999 and in or about September 2003, in the Houston Division of the Southern District of Texas and elsewhere, the defendants,

JOHN CLARO

JACK FERGUSON

MILT WILKINSON

JIM GLIDEWELL

SCOTT GLIDEWELL

GARY HOSKIE

MICHAEL REEVE

and

EUAN McNICOLL

and others, known and unknown to the Grand Jury, knowingly devised and intended to devise a scheme and artifice to defraud and to obtain money and property from health care benefit programs by means of false and fraudulent pretenses, representations and promises, and for the purpose of executing the scheme and artifice to defraud, and attempting to do so, knowingly caused to be placed in an authorized depository for mail matter to be sent and delivered by the United States Postal Service, and caused to be deposited and sent or delivered by any private or commercial interstate carrier, such as Federal Express, according to the directions thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, certain mail matter, i.e., checks payable to American Heartland Health Administrators, sent to AHHA in Houston, Texas, in

the following amounts, drawn on the accounts of the following Employers
 ("Payors") in the following cities and states on or about the following dates:

<u>Count</u>	<u>Date</u>	<u>Check No.</u>	<u>Amount</u>	<u>Payor</u>
2	May 7, 2001	1226	\$192,487.80	BWSR Health Fund Atlanta, GA
3	May 18, 2001	310132	\$169,174.09	Nations Personnel of Texas, Inc. - Dallas, Texas
4	May 30, 2002	6649	\$47,078.50	Job Strategies, Inc. Raleigh, NC
5	August 1, 2002	5720	\$34,430.50	Job Strategies, Inc. Raleigh, NC
6	July 8, 2002	008266	\$36,685.04	K&L Leasing, Inc. Gallatin, TN

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNTS Seven through Thirty-Three

(18 U.S.C. § 1957(a)- Monetary Transactions Involving
Property Derived from Specified Unlawful Activity)

1. The Grand Jury realleges and incorporates by reference, as though set forth in full herein, Counts One through Six of this Indictment.

2. On or about each of the dates listed below, in the Houston Division of the Southern District of Texas, defendants,

JOHN CLARO

JACK FERGUSON

MILT WILKINSON

JIM GLIDEWELL

SCOTT GLIDEWELL

GARY HOSKIE

MICHAEL REEVE

and

EUAN McNICOLL

did knowingly engage in, and attempt to engage in, a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, that is, the deposit and transfer of funds by check and wire transfer from American Heartland Health Administrators Contributions Account at Bank One in

Houston, Texas to the following accounts at the following financial institutions engaged in interstate and international commerce, in the amounts indicated below, such funds having been derived from specified unlawful activity, that is, mail fraud related to health care benefit programs, in violation of Title 18, United States Code, Section 1341, wire fraud related to health care benefit programs, in violation of Title 18, United States Code, Section 1343, and conspiracy to commit mail fraud and wire fraud related to health care benefit programs, in violation of Title 18, United States Code, Section 371.

<u>COUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>ACCOUNT NAME</u>
7	1/10/2001	\$522,989.65	Montgomery Kent Insurance and Reinsurance Services, LTD. Account #9418109944 at Fleet Bank
8	1/16/2001	\$89,000.00	American Heartland Health Administrators – Operating Account #1820544318.
9	1/24/2001	\$40,000.00	American Heartland Health Administrators – Operating Account #1820544318.
10	2/13/2001	\$749,474.91	McSooner, Inc. Account #1717310 at Barclay's Bank, Nassau Bahamas.
11	2/14/2001	\$120,000.00	American Heartland Health Administrators – Operating Account #1820544318.

12	3/13/2001	\$792,434.35	McSooner, Inc. Account #1717310 at Barclay's Bank, Nassau Bahamas.
13	3/16/2001	\$60,000.00	American Heartland Health Administrators – Operating Account #1820544318.
14	3/21/2001	\$75,000.00	American Heartland Health Administrators – Operating Account#1820544318.
15	4/10/2001	\$1,020,228.26	North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
16	4/18/2001	\$107,000.00	American Heartland Health Administrators – Operating Account #1820544318.
17	4/24/2001	\$62,898.16	North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
18	4/24/2001	\$40,000.00	American Heartland Health Administrators – Operating Account#1820544318.
19	5/11/2001	\$1,105,310.00	North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
20	5/15/2001	\$175,000.00	American Heartland Health Administrators – Operating Account #1820544318.
21	5/22/2001	\$100,000.00	American Heartland Health Administrators – Operating Account #1820544318.

22	5/23/2001	\$600,000.00	North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
23	5/31/2001	\$600,000.00	North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
24	6/12/2001	\$607,866.21	North American Indemnity Account #427919284313 at KBC Bank, Brussels, Belgium.
25	6/13/2001	\$300,000.00	American Heartland Health Administrators – Operating Account #1820544318.
26	6/19/2001	\$60,000.00	American Heartland Health Administrators – Operating Account #1820544318.
27	7/16/2001	\$400,000.00	American Heartland Health Administrators – Operating Account #1820544318.
28	7/18/2001	\$30,000.00	American Heartland Health Administrators – Operating Account #1820544318.
29	8/16/2001	\$184,000.00	American Heartland Health Administrators – Operating Account #1820544318.
30	8/22/2001	\$60,000.00	American Heartland Health Administrators – Operating Account #1820544318.
31	9/17/2001	\$230,000.00	American Heartland Health Administrators – Operating Account #1820544318.

32	9/19/2001	\$85,000.00	American Heartland Health Administrators – Operating Account#1820544318.
33	9/25/2001	\$65,000.00	American Heartland Health Administrators – Operating Account #1820544318.

In violation of Title 18, United States Code, Sections 1957(a) and 2.

COUNTS Thirty-Four through Thirty-Seven

(18 U.S.C. § 1957(a)- Monetary Transactions Involving
Property Derived from Specified Unlawful Activity)

1. The Grand Jury realleges and incorporates by reference, as though set forth in full herein, Counts One through Six of this Indictment.

2. On or about each of the dates listed below, in the Houston Division of the Southern District of Texas, defendants,

JOHN CLARO

JACK FERGUSON

MILT WILKINSON

JIM GLIDEWELL

SCOTT GLIDEWELL

GARY HOSKIE

MICHAEL REEVE

and

EUAN McNICOLL

did knowingly engage in, and attempt to engage in, a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, that is, the deposit and transfer of funds by check and wire transfer from Southern Plan Administrators Contributions Account at Bank One in Houston,

Texas to the following accounts at the following financial institutions engaged in interstate and international commerce, in the amounts indicated below, such funds having been derived from specified unlawful activity, that is, mail fraud related to health care benefit programs, in violation of Title 18, United States Code, Section 1341, wire fraud related to health care benefit programs, in violation of Title 18, United States Code, Section 1343, and conspiracy to commit mail fraud and wire fraud related to health care benefit programs, in violation of Title 18, United States Code, Section 371.

<u>COUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>ACCOUNT NAME</u>
34	6/10/2002	\$856,598.67	Professional Consultants and Managers
35	7/24/2002	\$50,000.00	Southern Plan Administrators – Operating Account #637618364
36	8/12/2002	\$70,000.00	Southern Plan Administrators – Operating Account #637618364
37	8/14/2002	\$30,000.00	Southern Plan Administrators – Operating Account #637618364

In violation of Title 18, United States Code, Sections 1957(a) and 2.

COUNTS Thirty-Eight through Fifty-Four

(18 U.S.C. §1956(a)(1)(A)(i) - Money Laundering)

1. The Grand Jury realleges and incorporates by reference as though set forth in full herein, Counts One through Six of this Indictment.

2. On or about the following dates, in the Houston Division of the Southern District of Texas, the defendants,

JOHN CLARO

JACK FERGUSON

MILT WILKINSON

JIM GLIDEWELL

SCOTT GLIDEWELL

GARY HOSKIE

MICHAEL REEVE

and

EUAN McNICOLL

did conduct and attempt to conduct financial transactions affecting interstate commerce, which transactions involved the proceeds of specified unlawful activities, namely mail fraud and wire fraud related to health care benefit programs, in violation of Title 18, United States Code, Sections 1341 and 1343, and conspiracy to commit mail fraud and wire fraud related to health care benefit programs, in violation of Title 18 United States Code, Section 371, with the intent to promote the carrying on of said specified unlawful activities, knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, in that the Defendants and their coconspirators and agents caused checks in the following amounts, payable to the following individuals and entities ("Payees"), to be paid by Bank One in Houston, Texas, a

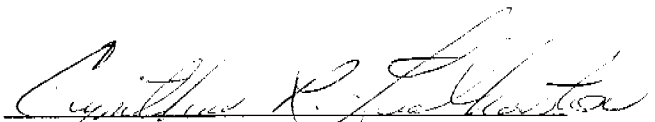
federally insured financial institution engaged in, and the activities of which affect, interstate and foreign commerce:

<u>COUNT</u>	<u>DATE</u>	<u>CHECK NUMBER</u>	<u>AMOUNT</u>	<u>PAYEE</u>
38	1/29/2001	3984	\$24,652.72	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.
39	2/21/2001	4099	\$14,595.79	LRS,Inc Alabama Southtrust
40	2/22/2001	4102	\$36,683.05	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.
41	3/20/2001	4209	\$11,523.68	LRS, Inc Alabama Southtrust
42	3/22/2001	4212	\$45,819.52	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.
43	4/19/2001	4343	\$16,514.93	LRS, Inc Alabama Southtrust
44	4/24/2001	4347	\$48,841.58	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.

45	5/17/2001	4499	\$19,221.06	LRS, Inc Alabama Southtrust
46	5/22/2001	4502	\$49,475.91	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.
47	6/22/2001	4637	\$20,029.72	LRS, Inc Alabama Southtrust
48	6/22/2001	4640	\$59,711.42	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.
49	7/19/2001	4766	\$19,729.90	LRS, Inc Alabama Southtrust
50	7/25/2001	4768	\$63,006.75	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.
51	8/22/2001	4921	\$17,656.37	LRS, Inc Alabama Southtrust
52	8/24/2001	4905	\$61,860.47	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.
53	9/19/2001	5051	\$22,165.39	LRS, Inc Alabama Southtrust
54	9/27/2001	5052	\$62,823.89	Regit, IncMidAmerica Bank, Clarendon Hills, Ill.

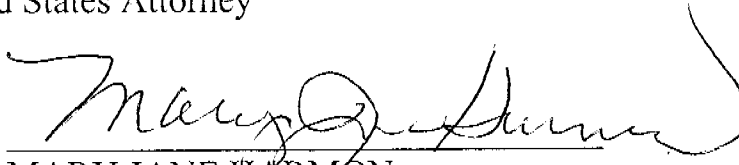
In violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 2.

A TRUE BILL:


FOREPERSON OF THE GRAND JURY

MICHAEL T. SHELBY
United States Attorney

By:


MARY JANE HARMON
Assistant United States Attorney